

# **PUBLIC DISCLOSURE**

June 27, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Florence Savings Bank  
23293

85 Main Street  
Florence, Massachusetts 01062

Division of Banks  
1000 Washington St, 10<sup>th</sup> Fl  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area(s).

This document is an evaluation of the CRA performance of **Florence Savings Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of June 27, 2011. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

## INSTITUTION'S CRA RATING

### **INSTITUTION'S CRA RATING:**

**This institution is rated “Satisfactory” by the FDIC.**

**This institution is rated “High Satisfactory” by the Division.**

The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

*The following table indicates the performance level of Florence Savings Bank with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	<u>Florence Savings Bank</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The assigned rating is based on the results of three performance tests: (1) the Lending Test, (2) the Investment Test, and (3) the Service Test. The Bank's performance under each of these three tests is summarized below:

### **LENDING TEST**

The Lending Test is rated High Satisfactory based on the following:

- The Bank's lending levels reflects an excellent responsiveness to the assessment area's credit needs.
- A high percentage of loans are made within the Bank's assessment area.
- The Bank demonstrates an excellent penetration of loans among retail customers of different income levels and business customers of different sizes.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The Bank made a relatively high level of community development loans.
- The Bank uses innovative and flexible lending practices to serve assessment area credit needs.

### **INVESTMENT TEST**

The Investment Test is rated High Satisfactory based on the following:

- The Bank has a significant level of qualified community development investments and grants.
- The Bank exhibits good responsiveness to credit and community economic development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

### **SERVICE TEST**

The Service Test is rated High Satisfactory based on the following:

- The Bank's delivery systems are accessible to essentially all portions of the Bank's assessment area.
- The Bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income individuals and/or census tracts.
- The Bank provides a relatively high level of community development services.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Florence Savings Bank is a full service Massachusetts chartered stock savings bank headquartered in Florence, Massachusetts, a village of Northampton, Massachusetts. The Bank was founded in 1873 as a mutual savings bank, and was converted to stock ownership in January 2006. Florence Bancorp, MHC, a state chartered mutual holding company, is also headquartered in Florence, Massachusetts, and is the sole stockholder of Florence Savings Bank.

The Bank's main office and corporate headquarters are located at 85 Main Street in Florence, Massachusetts. In addition to its main office, the Bank operates branch offices in Amherst, Belchertown, Easthampton, Granby, Hadley, Northampton (2), and Williamsburg, Massachusetts. The Bank operates Automated Teller Machines (ATMs) at each office and remote ATMs in Amherst, North Amherst, Northampton, and Southampton, Massachusetts. The Bank's offices are all located within Hampshire County, and within the Springfield, Massachusetts Metropolitan Statistical Area ("MSA").

As of March 31, 2011, the Bank had total assets of \$1.07 billion. Assets increased 9.5 percent since the previous CRA Evaluation dated April 18, 2008. The Bank's loan portfolio, which represents approximately 62.0 percent of total assets, increased 3.2 percent since the previous CRA Evaluation dated April 18, 2008.

The Bank's loan-to-deposit ("LTD") ratio was 82.7 percent as of March 31, 2011, based on net loans of \$663.3 million and deposits of \$801.7 million. During the evaluation period, the net LTD ratio has ranged from a low of 80.2 percent to a high of 92.5 percent. The Bank's average net LTD ratio over the 12 quarters since the last CRA Evaluation is 85.5 percent. This average net LTD ratio is slightly less than that of three other area banks similar to Florence Savings Bank in asset size and loan portfolio composition: the average net LTD ratios for Country Bank for Savings, Greenfield Savings Bank and Easthampton Savings Bank were 95.7 percent, 91.8 percent, and 91.3 percent, respectively. While Florence Savings Bank's net LTD ratio declined slightly during the evaluation period, it still demonstrates the Bank's commitment to providing lending services to the community. The Bank did not purchase or sell any loans on the secondary market during the evaluation period.

Table 1 below details the distribution of the Bank's portfolio as of March 31, 2011.

<b>Table 1</b> <b>Loan Distribution as of March 31, 2011</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans %</b>
1-4 Family Residential	513,772	76.7
Commercial	97,011	14.5
Construction and Land Development	18,129	2.7
Multi-Family Residential (5 + units)	18,203	2.7
Farm	484	0.1
<b>Total Secured by Real Estate</b>	<b>647,599</b>	<b>96.7</b>
Commercial and Industrial Loans	19,629	2.9
Consumer	2,275	0.3
Farm	20	0.0
Other	218	0.1
<b>Total Loans</b>	<b>669,741</b>	<b>100.0</b>
<i>Source: Consolidated Reports of Condition and Income (Call Report) as of March 31, 2011.</i>		

As Table 1 reflects, the Bank is primarily a residential real estate lender. The greatest share of the real estate loan portfolio is in one-to four-family residential loans. These loans include closed-end mortgage loans (including junior liens), as well as revolving home equity lines of credit. Commercial lending also plays a key role in the Bank's lending strategy, with 17.4 percent of the loan portfolio comprised of commercial and industrial loans and loans secured by commercial real estate.

The FDIC last evaluated the Bank's CRA performance as of April 18, 2008, and assigned an overall rating of "Outstanding." The Division last evaluated the Bank's CRA performance as of October 30, 2006, and assigned an overall rating of "Outstanding." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

### **Description of Assessment Area**

The CRA requires financial institutions to define an assessment area in which its CRA performance will be evaluated. Generally, an assessment area should consist of MSAs or Metropolitan Divisions (MDs) or contiguous political subdivisions such as counties, cities, or towns. Further, an assessment area should consist of geographies in which the Bank has its main office, its branches, and any deposit-taking remote service facilities, as well as the surrounding geographies in which the Bank has originated or purchased a substantial portion of its loans. A bank's assessment area must consist of whole geographies; may not reflect illegal discrimination; may not arbitrarily exclude low- or moderate-income geographies, taking into account the Bank's size and financial condition; and may not extend substantially beyond an MSA boundary or beyond a state boundary, with certain exceptions.

Florence Savings Bank's assessment area consists of the 20 towns and cities within Hampshire County: Amherst, Belchertown, Chesterfield, Cummington, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Middlefield, Northampton, Pelham, Plainfield, South Hadley, Southampton, Ware, Westhampton, Williamsburg, and Worthington. All of these communities are located in the Springfield, Massachusetts MSA. The assessment area as currently defined meets the technical requirements of the CRA.

Table 2 references the pertinent assessment area demographic information for the Bank's assessment area.

Table 2 Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	32	0.0	6.3	46.9	43.7	3.1
Population by Geography	152,251	0.0	9.0	54.9	36.1	0.0
Owner-Occupied Housing by Geography	36,367	0.0	2.0	59.4	38.6	0.0
Business by Geography	10,407	0.0	4.0	59.9	36.1	0.0
Family Distribution by Income Level	33,879	15.1	15.7	23.3	45.9	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	10,444	0.0	5.8	67.8	26.4	0.0
HUD Adjusted Median Family Income for 2010		\$67,400	Median Housing Value (2000)			\$147,293
HUD Adjusted Median Family Income for 2009		\$67,200				
Households Below Poverty Level		9.7%	Unemployment Rate (2000)			3.54%
Source: 2000 US Census Data and HUD Estimated Median Family Income for MSA						

The Bank's assessment area is comprised of 32 census tracts: 2 tracts (6.3 percent) are classified as moderate-income, 15 (46.9 percent) as middle-income, and 14 (43.7 percent) as upper-income. There are no low-income census tracts in the assessment area. One tract (3.1 percent) is designated as an "NA" tract and represents the campus of Hampshire College. As it contains nominal residential property, income data is not available for this tract.

Of the 58,644 housing units in the area, 62.0 percent are owner-occupied and 33.5 percent are rental units. Of the area's two moderate-income tracts, one tract (8204.00, Amherst) consists primarily of the University of Massachusetts at Amherst campus. This tract contains only 11 owner-occupied housing units, significantly reducing a financial institution's ability to make residential loans within this tract.

Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 15.1 percent and 15.7 percent, respectively, of all families within the Bank's assessment area. Further review of the families in the assessment area reveals that 5.1 percent of families have income levels below the poverty level, and 2.4 percent of area households receive some form of public assistance.

According to Moody's Analytics, as of May 2011, the economy in the greater Springfield, Massachusetts area is still recovering. While the unemployment rate continues to decline, the pace of economic growth in the area is slow. Foreclosures are still an ongoing issue in the housing market, while housing prices remain flat. Regarding unemployment rates during the

evaluation period, Hampshire County as a whole fares better in comparison with the State of Massachusetts and the United States. Detailed in Table 3 below is the annual unemployment rates by county, the state, and the United States during the evaluation period, as well as the unemployment rates for the first quarter (January 1 through March 31) 2011.

<b>Table 3</b>				
<b>Unemployment Rates</b>				
<b>Location</b>	<b>Annual Unemployment Rate</b>			<b>Unemployment Rate</b>
	<b>2008 (%)</b>	<b>2009 (%)</b>	<b>2010 (%)</b>	<b>1<sup>st</sup> Quarter 2011 (%)</b>
Hampshire County	4.4	6.5	6.9	6.8
Massachusetts	5.3	8.2	8.5	8.6
United States	5.8	9.3	9.6	9.5
<i>Source: Bureau of Labor Statistics</i>				

The median sales prices from home sales in the assessment area were also reviewed. The median sales prices show a general decline during the evaluation period. Detailed in Table 4 below are median sales prices by calendar year during the evaluation period, by each city and/or town in the assessment area.

<b>Table 4</b>			
<b>Median Sales Prices</b>			
<b>Assessment Area (AA) Town/City</b>	<b>2008 (\$)</b>	<b>2009 (\$)</b>	<b>2010 (\$)</b>
Amherst	280,000	261,000	275,000
Belchertown	249,000	240,000	227,750
Chesterfield	175,000	90,000	162,000
Cummington	117,000	232,500	120,000
Easthampton	229,900	204,500	214,000
Goshen	100,500	204,500	149,250
Granby	184,000	196,000	193,000
Hadley	259,950	275,000	244,450
Hatfield	250,000	235,000	218,750
Huntington	85,000	105,000	144,000
Middlefield	60,000	37,100	42,000
Northampton	250,000	235,500	237,250
Pelham	255,588	270,000	320,000
Plainfield	65,000	116,000	60,000
South Hadley	203,500	202,500	190,000
Southampton	264,950	247,500	221,750
Ware	148,500	140,000	130,000
Westhampton	247,250	195,000	219,900
Williamsburg	180,000	232,500	220,000
Worthington	188,500	164,000	160,000
<b>Average for AA by Year</b>	<i>189,682</i>	<i>194,180</i>	<i>187,455</i>
<i>Source: The Warren Group</i>			

The assessment area is largely rural, with the towns of Amherst and Northampton accounting for the largest populations. The area is recognized for the prominence of its five colleges and universities, including the University of Massachusetts at Amherst, Amherst College, Hampshire College, Mount Holyoke College, and Smith College. In addition to the colleges and universities that make up most of the top employers in the area, the area also has a strong employment base



in healthcare. Top employers include the Veteran's Administration Hospital and Cooley Dickinson Hospital. The service sector also plays a vital role in the area economy, with the high concentration of restaurants and unique retail businesses in the larger population centers.

According to 2009 Dun and Bradstreet Geodemographic data, 75.8 percent of businesses within the assessment area were considered small businesses, with gross annual revenues of \$1.0 million or less. Of the total businesses within the assessment area during 2009, approximately 3.6 percent are located within moderate-income tracts, 60.5 percent within middle-income tracts, and 35.9 percent within upper-income tracts. In 2010, according to 2010 Dunn and Bradstreet Geodemographic data, 76.9 percent of businesses within the assessment area are considered small businesses, with gross annual revenues of \$1.0 million or less. Of the total businesses within the assessment area during 2009, approximately 3.9 percent are located within moderate-income tracts, 60.2 percent within middle-income tracts, and 35.9 percent within upper-income tracts.

The assessment area in which the Bank operates is highly competitive. Over 200 lenders originated residential mortgage loans in the assessment area in 2009, the latest year for which aggregate lending data is available. The Bank's competition includes large nationally chartered banks such as Bank of America, Citibank, and Wells Fargo; however, the majority of the Bank's competition comes from local community banks, such as Easthampton Savings Bank, Country Bank for Savings, Peoples Bank, Greenfield Savings Bank, and Northampton Cooperative Bank. The aforementioned banks rank in the top ten for number of originated loans within the assessment area.

Two community contacts were conducted during the evaluation. The first was with a local non-profit community development organization serving Northampton, Easthampton, Amherst, and Hadley. The organization provides financial education to potential homeowners and small business owners, assists first time home buyers in purchasing their own homes, develops affordable housing for those in need, and makes home rehabilitation loans. While the contact was complimentary of the support received by financial institutions in the area, the contact believes more publicizing of current flexible lending programs, for the purchase, construction, or refinance of a residence, would be helpful. The contact also noted that the area's small businesses also require commercial credit options, as well as technical assistance, in light of the current economic conditions in the communities being served by the organization.

Another community contact was conducted with a local community service organization. The organization serves Hampshire County and works toward the prevention and alleviation of homelessness. The contact noted that the affordable housing is a key need within the area, as the downturn in the economy has increased this need. Flexible payments, loan modifications, or even temporary financing for near-homeless families are forms of credit the community contact believes could be of great help in Hampshire County. The contact noted increased marketing of any existing programs would be beneficial. Several local banks, including Florence Savings Bank, were mentioned by the contact as actively supporting the organization through volunteers and donations.

The primary credit needs of the assessment area identified during this evaluation period include affordable housing, credit for small business start ups or existing small businesses. Flexible loan products or programs supporting those individuals or families in housing or financial distress were also identified as a need.

## SCOPE OF EXAMINATION

This evaluation considered the Bank's performance under the lending, investment, and service tests in accordance with Interagency Large Bank Examination Procedures. The evaluation period considers activities conducted by the Bank from April 19, 2008 through June 27, 2011.

Through discussions with management and as reflected in Call Report data, the Bank's primary lending focus is residential lending. Total residential lending represents 82.1 percent of the Bank's loan portfolio. Commercial lending, including commercial and industrial loans and loans secured by commercial real estate, represents 17.4 percent of the Bank's loan portfolio, and is another key to the Bank's lending strategy. Therefore, the Bank's CRA performance focuses on residential loans and small business loans (commercial and industrial and commercial real estate loans) originated between January 1, 2009 and December 31, 2010. Analysis of these loans are presented within this evaluation. Greater emphasis is placed on the Bank's residential lending performance, given its prominence in the Bank's lending operations. Small farm loans were not considered since the Bank made minimal small farm loans during the evaluation period. Consumer lending was also not included in the analysis since it accounts for only a small portion of the Bank's overall lending activity, the Bank does not collect information regarding such activity, and the Bank did not request inclusion of such activity.

Residential lending data was obtained from the Bank's 2009 and 2010 Loan Application Registers ("LARs") maintained pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home improvement loans and home purchase loans, including refinancings, on one- to four-family and multifamily (five or more unit) properties. Small business lending data was obtained from the Bank's 2009 and 2010 Small Business CRA LARs. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less.

While 2009 and 2010 lending data was analyzed, the data presented in this evaluation with respect to the *Geographic Distribution* and *Borrower Characteristics* criteria emphasizes the Bank's 2009 lending data, as this is the latest year for which aggregate lending data is available. Aggregate lending data is the lending performance of all other financial institutions within the defined assessment area, as reported on their HMDA LARs and CRA LARs, for 2009. Aggregate lending data is referenced in this evaluation for comparison purposes.

Qualified Community Development Loans, Innovative and Flexible Lending Practices, Qualified Investments, and Qualified Services were reviewed from April 19, 2008 through June 27, 2011.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### **LENDING TEST**

#### **Lending Activity**

Florence Savings Bank's lending activity reflects an excellent responsiveness to the assessment area's credit needs.

#### **Residential**

Florence Savings Bank originated 760 residential loans totaling \$132.0 million within the assessment area in 2009. Of the 209 lenders that originated or purchased residential mortgage loans within the assessment area in 2009, Florence Savings Bank ranked first, with a market share of 12.4 percent. Florence Savings Bank, along with Easthampton Savings Bank (9.5 percent), Bank of America, N.A. (8.0 percent), Country Bank for Savings (4.8 percent), and Merrimack Mortgage Company, Inc. (3.9 percent) represents the top five lenders in the assessment area during 2009. The Bank's lending activity is positive given the presence of strong competition from local institutions, national banks, and mortgage companies and the evaluation period economic conditions.

The Bank originated 571 residential loans totaling \$99.9 million within the assessment area in 2010, a decrease of 25.9 percent compared to its 2009 lending volume. This is mainly attributed to a decrease in refinance mortgage loans, which decreased 30.4 percent from 2009 levels. Aggregate lending data for 2010 is not available for determining market share rank.

#### **Small Business**

Florence Savings Bank originated 92 small business loans totaling \$8.0 million within the assessment area in 2009. Of the 36 lenders that originated small business loans within the assessment area in 2009, Florence Savings Bank ranked eleventh overall, with a market share of 3.3 percent. The top three institutions in terms of market share within the assessment area are American Express Bank, FSB (23.7 percent), Citibank, N.A. (9.1 percent), and Chase Bank USA, N.A. (11.0 percent). It should be noted that aggregate lending data includes several lenders ranking higher than Florence Savings Bank who offer small business credit card services. This is a service that the Bank does not offer. In terms of locally-based community banks, Florence Savings Bank ranked third among locally headquartered banks in small business lending within the assessment area in 2009.

The number of the Bank's small business loans within the assessment area decreased 5.5 percent to 87 loans in 2010. The Bank's overall small business lending, regardless of location, declined 2.8 percent from 2009 to 2010. This decline is not attributable to any changes in the Bank's lending strategy or practices, but is due to evaluation period economic conditions. Aggregate lending data for 2010 is not available for determining market share rank.

## Lending Inside the Assessment Area

A high percentage of residential and small business loans are in Florence Savings Bank's assessment area. Refer to Table 5 for the distribution of loans inside and outside the assessment area.

Table 5 Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 Residential Loans										
Home Purchase	188	56.1	147	43.9	335	32,047	62.7	19,108	37.3	51,155
Refinance	453	78.5	124	21.5	577	81,679	80.1	20,359	19.9	102,038
Home Improvement	119	75.8	38	24.2	157	18,284	75.4	5,961	24.6	24,245
Total	760	71.1	309	28.9	1,069	132,010	74.4	45,428	25.6	177,438
2010 Residential Loans										
Home Purchase	173	54.4	145	45.6	318	29,883	61.5	18,739	38.5	48,622
Refinance	321	80.9	76	19.1	397	58,775	81.8	13,101	18.2	71,876
Home Improvement	77	81.9	17	18.1	94	11,288	82.0	2,486	18.0	13,774
Total	571	70.6	238	29.4	809	99,946	74.4	34,326	25.6	134,272
Total Residential Loans	1,331	70.9	547	29.1	1,878	231,956	74.4	79,754	25.6	311,710
2009 Small Business	92	80.0	23	20.0	115	8,004	71.1	3,243	30.2	11,247
2010 Small Business	87	80.6	21	19.4	108	6,748	76.8	2,032	23.2	8,780
Total Small Business Loans	179	80.3	44	19.7	223	14,752	73.7	5,275	26.3	20,027
Grand Total	1,510	71.9	591	28.1	2,101	246,708	74.4	85,029	25.6	331,737
Source: 2009 and 2010 HMDA LARs and 2009 and 2010 CRA Small Business LARs										

*Source: 2009 and 2010 HMDA LARs and 2009 and 2010 CRA Small Business LARs*

As reflected in the table, 71.9 percent in number of the Bank's total residential and small business loans were originated within the assessment area in 2009 and 2010.

Despite the decrease in overall lending volume, as described in the preceding section, the Bank's residential lending within the assessment area was consistent between 2009 and 2010 at 71.1 percent and 70.6 percent, respectively. With regards to the Bank's small business lending, again the performance was consistent between 2009 and 2010, at 80.0 percent and 80.6 percent, respectively.

## Borrower Characteristics

The distribution of loans reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

### Residential

Refer to Table 6 for information regarding the distribution of residential loans by income level in the assessment area (AA).

Table 6 Distribution of Loans by Borrower Income Levels											
Loan Category	# of Bank Loans	Percent of Bank Loans					Percent of Aggregate Lending				
		Low	Moderate	Middle	Upper	NA	Low	Moderate	Middle	Upper	NA
2009 Loans											
Home Purchase	188	10.7	27.1	23.9	36.7	1.6	3.2	19.7	30.4	35.0	11.7
Refinance	453	4.6	11.7	23.6	57.4	2.7	2.5	9.9	25.0	52.4	12.2
Home Improvement	119	6.7	16.8	26.9	46.2	3.4	7.1	20.4	29.0	42.3	1.2
Total	760	6.5	16.3	24.2	50.5	2.5	3.1	15.5	26.7	43.4	11.2
2010 Loans							2010 Aggregate Lending Data Not Available				
Home Purchase	173	6.4	22.5	27.8	41.0	2.3					
Refinance	321	4.4	14.0	27.4	52.6	1.6					
Home Improvement	77	2.6	20.8	29.9	41.5	5.2					
Total	571	4.7	17.5	27.9	47.6	2.3					
Demographics	Total # of Families	Distribution of Families in AA									
		Low	Moderate	Middle	Upper						
Families	33,879	15.1	15.7	23.3	45.9						
Source: 2009 and 2010 HMDA LARs,2009 Aggregate HMDA data, and 2000 Census Data											

As Table 6 reflects, the Bank originated 6.5 percent, by number, of its residential loans to low-income borrowers in 2009. This exceeded the performance of the aggregate lenders, as loans to low-income borrowers represented 3.2 percent of total aggregate lending within the assessment area. Further, Florence Savings Bank ranked first among all lenders originating and purchasing residential loans to low-income borrowers in the assessment area in 2009. Florence Savings Bank originated a total of 49 loans to low-income borrowers, with a market share of 22.9 percent. Ranking after Florence Savings Bank was Easthampton Savings Bank, ranking second with a market share of 5.6 percent, Bank of America, N.A. ranking third with a market share of 7.5 percent, Country Bank for Savings ranking fourth with a market share of 6.1 percent, and Merrimack Mortgage Company, Inc., ranking fifth with a market share of 3.7 percent.

For 2010, the Bank's lending to low-income borrowers decreased to 4.7 percent, with the steepest decline occurring in the home purchase loan category.

For both 2009 and 2010, the Bank's performance was below demographic indicators, as 15.1 percent of assessment area families are low-income. Mitigating the discrepancy between the demographic data and the Bank's lending performance is the difficulty a low-income borrower may have qualifying for a mortgage loan, or affording a refinance or a home improvement loan. Additionally, it was noted that 5.1 percent of assessment area families have income levels below the poverty level, increasing the difficulty for certain low-income borrowers to afford residential mortgage loans.

The Bank originated 16.3 percent, by number, of its residential loans to moderate-income borrowers in 2009. The Bank's performance is slightly higher, but generally consistent with the performance of aggregate lenders, as loans to moderate-income borrowers represented 15.5 percent of total aggregate lending within the assessment area. Florence Savings Bank ranked first among all lenders in residential loans to moderate-income borrowers within the assessment area in 2009, with 124 loans and a market share of 12.9 percent.

In 2010, the Bank's percentage of originations to moderate-income borrowers increased to 17.5 percent. The largest increase in moderate-income borrower lending is in refinance loans.

Additionally, in 2009, the Bank's performance (at 16.3 percent) was slightly higher, but generally consistent with the percent of moderate-income families in the assessment area (at 15.7 percent). During 2010, the Bank's performance (at 17.5 percent) was higher, but generally consistent with, the percent of moderate-income families in the assessment area (at 15.7 percent).

### Small Business

Table 7 details the Bank's small business loans distribution by the gross annual revenue (GAR) in the assessment area.

<b>Table 7</b> <b>Distribution of Small Business Loans by Gross Annual Revenue (GAR)</b>											
GAR \$(000s)	Demographic Data		Aggregate Lending Data	2009 Bank Loans				2010 Bank Loans			
	% Businesses		% of Loans	#	%	\$(000's)	%	#	%	\$(000's)	%
	2009	2010									
<=\$1,000	75.8	76.9	28.7	73	79.3	4,933	61.6	67	77.0	4,847	71.8
>\$1,000	3.8	3.8	NA	18	19.6	3,057	38.2	20	23.0	1,901	28.2
Not Reported	20.4	19.3	NA	1	1.1	14	0.2	0	0	0	0
<i>Total</i>	100.0	100.0	-	92	100.0	8,004	100.0	87	100.0	6,748	100.0
<i>Source: 2009 and 2010 Small Business LARs, 2009 Aggregate Small Business Lending Data, and 2009 and 2010 Dunn &amp; Bradstreet data.</i>											

As the table indicates, in 2009, the Bank originated a majority of its small business loans to businesses with gross annual revenues of \$1.0 million or less (at 79.3 percent). The Bank's performance significantly exceeds the performance of the aggregate lenders, as 28.7 percent by number of the aggregate lender's loans were originated to businesses of this size in 2009. The Bank's 2009 performance is slightly higher, but generally consistent with the 2009 business demographics at 75.8 percent.

In 2010, the Bank's performance was consistent with the business demographics. In 2010, 76.9 percent of area businesses have gross annual revenues of \$1.0 million or less, according to Dunn and Bradstreet. In 2010, 77.0 percent of the Bank's small business loans were originated to businesses with gross annual revenues of \$1.0 million or less.

A further analysis of the Bank's small business activity by loan size was conducted. This analysis as indicates the Bank's commitment to meeting the credit needs of small businesses, as smaller sized loans more frequently benefit smaller businesses. Please refer to Table 8 for details.

Table 8 Distribution of Small Business Loans by Loan Size					
Loan Size (000s)	2009 Aggregate Lending Data	2009 Bank Lending Data		2010 Bank Lending Data	
	#	#	%	#	%
≤ \$100	94.6	70	76.1	72	82.8
> \$100 ≤ \$250	2.9	15	16.3	9	10.3
> \$250 ≤ \$1,000	2.5	7	7.6	6	6.9
<i>Total</i>	100.0	92	100.0	87	100.0
<i>Source: 2009 and 2010 CRA Small Business LARs and 2009 Aggregate Small Business Data</i>					

A majority of the Bank's small business loans (at 76.1 percent) were in amounts of \$100,000 or less in 2009. While the Bank's percentages are below the aggregate level of distribution, given the fact that the majority of these smaller sized loans are from financial institutions who offer credit cards, the Bank's performance is good.

While the number of the Bank's small business loans greater than \$100,000 but less than or equal to \$250,000 decreased from 2009 to 2010, the proportion of the Bank's small business loans originated in amounts less than \$100,000 grew to 82.8 percent in 2010 from 76.1 in 2009. This increase demonstrates the Bank's strong commitment to lending to smaller sized businesses.

### Geographic Distribution of Loans

The geographic distribution of residential and small business loans reflects adequate dispersion throughout the assessment area.

#### Residential

As previously noted, the assessment area has no low-income tracts. Table 9 illustrates the distribution of the Bank's residential loans by income level of the census tracts in its assessment area.

Table 9 - Distribution of Residential Loans by Income Level of the Census Tract									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Home Purchase	188	0.0	0.0	64.9	35.1	0.0	2.4	59.5	38.0
Refinance	453	0.0	0.2	55.4	44.4	0.0	1.1	56.1	42.8
Home Improvement	119	0.0	0.0	61.3	38.7	0.0	1.4	54.4	44.2
2009 Total	760	0.0	0.1	58.7	41.2	0.0	1.5	56.8	41.7
Home Purchase	173	0.0	0.0	71.7	28.3				
Refinance	321	0.0	0.0	56.7	43.3				
Home Improvement	77	0.0	0.0	62.3	37.7				
2010 Total	571	0.0	0.0	62.0	38.0				
Demographics	Total # of Units	Distribution of Housing Units in AA							
		Low	Moderate	Middle	Upper				
Owner-Occupied Housing Units	36,367	0.0	2.0	59.4	38.6				
Source: 2009 and 2010 HMDA LARs, 2009 Aggregate HMDA data, and 2000 Census Data									

As indicated in above, the Bank originated one loan, or 0.1 percent in number, of its residential loans within moderate-income tracts in 2009. The Bank originated no loans within the moderate-income tracts in 2010. This performance was below demographic indicators, as 2.0 percent of area owner-occupied units are located within moderate-income tracts. The Bank's 2009 performance was also below the aggregate lenders performance, which is at 1.5 percent.

Two factors mitigating the Bank's lending performance in the low-income census tracts are the relative lack of residential lending opportunities within the area's moderate-income tracts and the significant competition from other institutions for these loans. As previously discussed, one of the area's two moderate-income tracts (8204.00, Amherst) is comprised primarily of the University of Massachusetts at Amherst campus. This tract contains just 11 owner-occupied housing units. The other moderate-income tract is located in Ware, Massachusetts, where two state-chartered banks are headquartered. The nearest Florence Savings Bank branch to Ware is located in the neighboring Town of Belchertown. In 2009, a total of 81 loans were made within the area's moderate-income tracts. Florence Savings Bank's market share within moderate-income tracts was 1.2 percent. Country Bank for Savings, headquartered in Ware, was the only local bank with a higher market share (20.9 percent).

### Small Business

Table 10 contains detailed data on the distribution of the Bank's small business loans by income level of the census tracts in its assessment area.

Table 10											
Geographic Distribution of Small Business Loans by Income Level of Census Tract											
Census Tract Income Level	Demographic Data		2009 Aggregate Data	2009 Bank Loans				2010 Bank Loans			
	% of Businesses			#	%	\$(000's)	%	#	%	\$(000's)	%
	2009	2010									
Moderate	3.6	3.9	2.2	0	0.0	0	0.0	0	0.0	0	0.0
Middle	60.5	60.2	57.8	67	72.8	6,003	75.0	57	65.5	4,757	70.5
Upper	35.9	35.9	40.0	25	27.2	2,001	25.0	30	34.5	1,991	29.5
Total	100.0	100.0	100.0	92	100.0	8,004	100.0	87	100.0	6,748	100.0
Source: 2009 and 2010 CRA Small Business loans, 2009 Aggregate Small Business Data, and 2009 and 2010 Dunn & Bradstreet data.											

As reflected above, the Bank made no small business loans within moderate-income tracts in 2009. The Bank's performance in moderate-income census tract lending is below both the performance of the aggregate lenders (at 2.2 percent) and the percentage of area businesses located within moderate-income census tracts (at 3.6 percent). The Bank also did not make any loans within moderate-income census tracts in 2010. It is important to note, however, that the top five lenders within the moderate-income census tracts were large national institutions providing business credit card services, a product Florence Savings Bank does not currently offer. These five institutions, including GE Money Bank and GE Capital Financial, American Express, Chase Bank, and FIA Card Services, had a combined market share of 84.9 percent of all small business lending within moderate-income census tracts. No locally-headquartered banks originated any small business loans within these tracts in 2009.



## **Community Development Loans**

The Bank originated one qualified community development loan in its assessment area during the evaluation period.

In 2009, the Bank increased an existing line of credit from \$700,000 to \$1,250,000. The loan provides working capital to a non-profit organization providing job training and placement to low- and moderate-income individuals.

In addition to the increase in the existing line of credit, the Bank extended several commercial demand loans and small business loans during the evaluation period that did not technically qualify as community development loans per Large Bank Examination Procedures. However, these loans did feature community development purpose aspects and assisted several assessment area organizations who provide services that qualify as community development.

## **Innovative and Flexible Lending Practices**

Florence Savings Bank makes use of innovative or flexible lending practices. The Bank continues to offer several loan products that feature innovative and flexible lending practices that increase the availability of credit to low- and moderate-income individuals and small businesses in the assessment area. Detailed below is some of the Bank's qualifying lending products used during the evaluation period.

### *Residential*

- Florence Savings Bank First Time Homebuyer Program:

The Bank continues to offer a first time homebuyers (FTHB) program for borrowers who have not owned a home within the past three years. The program offers a 5/1 Adjustable Rate Mortgage with flexible underwriting standards and a lower down payment requirement. The Bank does not charge points, application fee, credit report fee, flood determination fee, tax service fee, or an appraisal fee.

During the evaluation period, the Bank originated 13 loans totaling \$1.9 million. This represents a significant decline from the prior evaluation period, when the Bank originated 58 loans totaling \$9.2 million. This decline does not reflect a change in the Bank's lending strategy or practices. Rather, the decline appears attributable to the economic climate during the evaluation period, as well as competition in first time homebuyer lending from other local and large national institutions.

- Massachusetts Housing Partnership's Soft Second Mortgage Program:

The Bank continues to work in conjunction with the Massachusetts Housing Partnership (MHP) and offers first time homebuyers a 30-year fixed rate first mortgage in conjunction with a MHP "soft second" mortgage. This program has specific area income and purchase price restrictions targeting low-income individuals. The program features relaxed underwriting guidelines and reduced down payment requirements. The program also requires the borrower to complete a homebuyer education program.

During the evaluation period, the Bank originated 148 loans totaling \$20.6 million. This represents a significant increase from the prior evaluation period, when the Bank originated 80 loans totaling \$5.9 million.

- Federal Home Loan Bank of Boston's (FHLB) Equity Builder Program (EBP):  
The Bank continues to partner with the FHLB in offering the EBP. During the evaluation period, the Bank applied for and was awarded grants through the FHLB's EBP. These grants are used to provide down payment assistance to low- and moderate-income first time homebuyers in the assessment area. The Bank was awarded \$98,000 in 2008, \$70,000 in 2009, and \$20,000 in 2010. Valley Community Development Corporation provides the homeownership counseling for participating individuals/families. The Bank provides a soft second loan through the MHP (as discussed above), qualifies and funds the loans, and the FHLB qualifies the grant money. Annually, the Bank must reapply and request the funds from the FHLB.

During the evaluation period, the Bank provided down payment assistance of approximately \$11,750 each to 16 families (7 in 2008, 7 in 2009, and 2 in 2010) through the FHLB EBP. Through June 27, 2011, 2 grants have been disbursed for \$10,000 each. This is generally consistent with the level of activity during the prior evaluation period, when the Bank provided down payment assistance of approximately \$14,000 to 15 families.

### Small Business

- Small Business Administration (SBA) Loan Programs:  
The Bank continues to offer SBA loans through the SBA's 7A and 504 Guaranty Loan programs. During the evaluation period, the Bank originated a total 51 SBA loans totaling \$3.5 million. While this represents a slight decrease in the number of loans from the prior evaluation period, when the Bank originated 55 loans totaling \$4.7 million, the fact that the number of originations is comparable between the two evaluation periods is positive in light of the current economic climate. Additionally, in 2008, Florence Bank was recognized as the #1 SBA lender to women in the Massachusetts district.

The Bank also started offering a temporary SBA lending program in 2009 – the American Recovery Capital (ARC) loan program. The purpose of the program is to provide temporary financial relief for small businesses in the form of a deferred-payment loan. Florence Savings Bank was recognized as the #1 ARC lender in Massachusetts. In conjunction with the program, the Bank established a new bill payment process for the purpose of servicing these loans. During 2009, seven loans totaling \$230,000 were originated, and 4 loans for \$135,000 were distributed in 2010. The amount and number of originations are included in the SBA loan totals noted above.

- Massachusetts Business Development Corporation (MBDC) - Capital Access Program:  
The Bank continues to offer this program in conjunction with MBDC. This program uses cash collateral guarantees from a loan loss reserve fund to enable banks to provide for the credit needs of businesses that may not otherwise be able to obtain needed financing. During the evaluation period, the Bank originated 16 loans for \$1.2 million. This is a significant increase from the prior evaluation period, when the Bank originated 2 loans totaling \$81,000.

## **INVESTMENT TEST**

Florence Savings Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The Bank exhibits good responsiveness to credit and community development needs. The Bank rarely uses innovative and/or complex investments to support community development initiatives.

The Bank's qualified investments consist of pre-existing equity investments in mortgage-backed securities and a CRA investment fund, as well as donations to various community development organizations. The qualified investments total \$1,936,201, which is slightly higher than the Bank's total qualified investment activity during the prior evaluation period (at \$1,711,577).

### **Investments**

The Bank did not make any new CRA-qualified securities investments during the current evaluation period. During previous evaluation periods, the Bank invested in several mortgage-backed securities backed by loans to low- or moderate-income homebuyers. The book value of these securities at March 31, 2011 is \$180,033. Approximately 11.0 percent of the underlying loans benefit borrowers within the Bank's assessment area. The remainder of the underlying loans is within the State of Massachusetts, and qualifies for CRA consideration as they benefit a broader statewide or regional area that includes the Bank's assessment area.

Also during prior evaluation periods, the Bank made an investment with CRA Fund Advisors in their CRA Investment Fund. The Bank still maintains this investment, which has a book value of \$1,333,720 at March 31, 2011. The Fund allocates the Bank's investment to provide funding for discounted loans to low- and moderate-income homebuyers within the State of Massachusetts, including the Bank's assessment area.

The Bank's total CRA-qualified investments of \$1,513,753 represent 0.5 percent of the Bank's total investments at March 31, 2011.

### **Donations**

The Bank made 145 qualified donations totaling \$422,448 during the evaluation period. This represents an increase since the previous evaluation, up from \$353,727. Table 11 below details the Bank's community development donations by community development purpose category.

Table 11 Qualified Community Development Donations by Community Development Purpose Category			
Category <sup>1</sup>	Year	Number of Loans	Dollar Amount
Affordable Housing	04/19/08 – 12/31/08	3	9,750
	2009	5	18,100
	2010	5	15,300
	01/01/11 – 06/27/11	2	11,000
<b>Total Affordable Housing</b>		<b>15</b>	<b>54,150</b>
Community Services to Low- and Moderate-Income (LMI) Individuals	04/19/08 – 12/31/08	23	63,325
	2009	32	84,372
	2010	40	82,576
	01/01/11 – 06/27/11	12	36,650
<b>Total LMI Services</b>		<b>107</b>	<b>266,923</b>
Economic Development	04/19/08 – 12/31/08	3	2,540
	2009	6	34,205
	2010	10	41,430
	01/01/11 – 06/27/11	4	23,200
<b>Total Economic Development</b>		<b>23</b>	<b>101,375</b>
<b>GRAND TOTAL</b>		<b>145</b>	<b>422,448</b>
<i>Source: Internal bank records</i>			

The Bank's qualified donations represent 1.8 percent of the Bank's pre-tax net operating income during the evaluation period, and 25.4 percent of its total donations during the evaluation period. The following table details the Bank's donations as a percentage of pre-tax net operating income by year.

Table 12 Qualified Community Development Donations as Percent of Pre-tax Net Operating Income			
Year	Dollar Amount of Qualified Donations	% of Total Donations	% of Pre-tax Net Operating Income
04/19/08 – 12/31/08	75,615	15.8	1.8
2009	136,677	28.1	1.4
2010	139,306	30.2	2.0
01/01/11 – 06/27/11	70,850	30.3	3.3
<b>Evaluation Period</b>	<b>422,448</b>	<b>25.4</b>	<b>1.8</b>
<i>Source: Internal bank records</i>			

At the prior evaluation period, the Bank's qualified donations were \$353,727, representing 24.0 percent of total donations and 1.9 percent of the Bank's pre-tax net operating income.

The following table details a sample of the organizations benefiting from the Bank's qualified donations during the evaluation period.

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<sup>1</sup> There are 4 community development purposes for which a bank can receive credit under the CRA. The fourth community development purpose category – activities that revitalize or stabilize low- and moderate-income census tracts, designated disaster areas, or distressed or underserved metropolitan middle-income census tracts – is not referenced in Table 11 as the Bank did not make any donations that qualified under that purpose.

<b>Table 13</b> <b>Sample of Organizations Receiving Qualified Donations During Evaluation Period</b>		
<b>Organization Name</b>	<b>Organization Purpose</b>	<b>Total Donations</b>
United Way of Hampshire County	A multi-service organization providing a wide range of services to low- and moderate-income assessment area residents.	\$102,798
Valley Community Development Corporation	Provides affordable housing and small business development services in Amherst, Easthampton, Hadley, and Northampton.	\$56,000
Hilltown Community Development Corporation	Provides affordable housing and small business development services for ten communities in Hampshire and Berkshire Counties.	\$29,370
Pioneer Valley Habitat for Humanity	Provides affordable housing services for low- and moderate-income first-time homebuyers.	\$10,800
Western Massachusetts Enterprise Fund	Provides financing and technical assistance to small businesses and not-for-profit organizations in Western Massachusetts.	\$10,000
Food Bank of Western Massachusetts	Provides emergency food assistance to needy individuals and families which are primarily low-income.	\$8,500
Highland Valley Elder Services	Provides a variety of services to predominantly low- and moderate-income elderly clients in the assessment area.	\$7,500
<i>Source: Internal bank records</i>		

In addition, the Bank continues to provide \$50,000 annually to the community through its Customers' Choice Community Grants program. Through this program, the Bank donates funds to area organizations proportional to voting by the Bank's customers. Qualified donations made through this program to organizations or activities are included in the total donations figures previously noted. While a majority of the donations under this program during the evaluation period went to area schools and organizations that do not meet CRA-defined criteria for consideration within this evaluation, it is worth noting that the allocation of funds to these organizations is based on selection by the Bank's customers and addresses community needs as defined by those customers. Further, the public attention that is drawn to the various community development-related organizations through the Bank's annual advertising campaign provides added intangible value for the organizations serving the community, including those organizations with a community development purpose or those funding activities with community development purposes.

## **SERVICE TEST**

Florence Savings Bank's service delivery systems are accessible to census tracts and individuals of different income levels in the assessment area. Its services and business hours do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income individuals and census tracts. Florence Savings Bank provides a relatively high level of qualified community development services to the assessment area. No branches were opened or closed during the evaluation period.

### **Accessibility of Delivery Systems**

The Bank's banking services are accessible to census tracts and individuals of different income levels in the assessment area. The Bank's offices are reasonably distributed throughout the assessment area and are not located in such a way as to inconvenience any segment of the area's population.

In addition to its main office in Florence, the Bank operates eight branch offices in Amherst, Belchertown, Easthampton, Granby, Hadley, Northampton (2), and Williamsburg, Massachusetts. The Bank also operates ATMs at each of its branches, as well as remote ATMs in Amherst, Florence (2 ATMs separate from the main office), North Amherst (cash dispensing only), Northampton (4 ATMs in total, 2 of which are cash dispensing only), and Southampton, Massachusetts.

Table 14 below illustrates the distribution of the Bank's branches and ATMs by census tract income level in comparison with the percentage of the population within the assessment area by census tract income level.

<b>Table 14</b>						
<b>Distribution of Branches and ATMs By Census Tract Income Level</b>						
<b>Census Tract Income Level</b>	<b>% of Population</b>	<b>% of AA Tracts</b>	<b>Branches</b>		<b>ATMs*</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	NA	NA	NA	NA	NA	NA
Moderate	9.0	6.3	0	0	0	0
Middle	54.9	46.9	6	66.7	10	66.7
Upper	36.1	43.7	3	33.3	5	33.3
NA	0	3.1	0	0	0	0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>
<i>Source: Internal bank records.</i>						
<i>*Includes deposit taking ATMs, both remote and at offices.</i>						

As reflected above, the Bank does not maintain any offices or ATMs in the assessment area's two moderate-income census tracts (which represents 6.3 percent of the 32 total census tracts in the assessment area). However, as indicated previously, one of these moderate-income census tracts consists primarily of the University of Massachusetts at Amherst campus. The Bank's Amherst office is located in the adjacent census tract, within approximately two miles. The assessment area's other moderate-income census tract is located in Ware, where two local banks are headquartered and maintain a significant competitive presence.

With respect to the accessibility of the Bank's branches and ATMs to low- and moderate-income individuals and families, as previously disclosed, the majority of the assessment area's low- and moderate-income families (67.8 percent) reside within the assessment area's middle-income census tracts. As noted in the above table, a majority of the Bank's branches (66.7 percent) and ATMs (64.3 percent) are in the middle-income census tracts. A majority of the low- and moderate-income families, who live in the middle-income census tracts, have access to the Bank's branches and ATMs in the middle-income census tracts.

The Bank also uses alternative delivery systems to provide all portions of the assessment area with access to its services, including free *24-Hour Account Access* telephone banking that enables customers to verify account balances, make transfers and loan payments, and inquire about checks, deposits, and interest rates. The Bank also offers online banking, free bill payment, and accepts mortgage loan pre-qualifications and applications for mortgage and home equity loans on the Bank's Internet website at [www.florencesavings.com](http://www.florencesavings.com).

## **Reasonableness of Services and Business Hours**

The Bank's services and business hours do not vary in a way that inconveniences the assessment area.

The Bank offers a variety of consumer credit and deposit products. The Bank's products and services do not vary between offices. Available credit products include residential mortgage loans, home equity loans and lines of credit, auto loans, and personal loans and lines of credit. Deposit account offerings include regular savings accounts, club accounts, checking accounts, money market accounts, certificates of deposit ("CDs"), and individual retirement accounts ("IRAs"). The Bank offers a *Free Checking Account* that requires a low \$10 opening account balance, and has no maintenance fees or per-check charges. The Bank also offers an *EZ \$ave* savings account that requires no opening deposit and pays interest on balances as low as \$10 with no maintenance fees. These two deposit products may benefit low- and moderate-income consumers within the Bank's assessment area. The Bank's Free Business Checking has minimum opening balance of \$100 and no monthly maintenance fee. Additionally, the account allows businesses to have up to 50 free transactions each month without any per-check fees. This account may benefit small businesses.

Each of the Bank's offices offers lobby hours Monday – Wednesday between 9:00 a.m. and 4:00 p.m., with extended hours as late as 6:00 p.m. on Thursdays and/or Fridays, and Saturdays from 9:00 a.m. until Noon. Each of the Bank's offices, except the 58 Main Street office in Northampton, features drive-up windows. The Bank offers extended drive-up hours beginning at 8:00 a.m. during the morning or until 6:00 p.m. or 7:00 p.m. during the evening. Overall, business hours are generally consistent with those of other area financial institutions.

## **Community Development Services**

Florence Savings Bank provides a relatively high level of qualified community development services. During the evaluation period, the Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance to numerous organizations with a community development purpose. The active involvement of the Bank's directors, officers, and employees in community development organizations is indicative of the Bank's commitment to serve the community development needs of the assessment area.

Below are some examples of the Bank's involvement in community development services within its assessment area. These services meet the definition of community development and are related to the provision of financial services as required for consideration under the CRA:

- The Massachusetts State Treasurer's Office's "Savings Makes Cents" Program  
The Bank continues to partner with the Treasurer's Office in brining this school savings program to elementary schools within the Bank's assessment area. The Bank offers the program at 15 schools within the assessment area, and one additional school in towns adjoining the assessment area. Higher interest rates are offered on student accounts, and regular periodic deposits are incentivized by donating a dollar to the student's account for every tenth deposit made by the student. No minimum deposit amount is required, enabling students with little personal funds to benefit from the Bank's donations.

- Federal Home Loan Bank of Boston's (FHLB) Equity Builder Program (EBP).  
As discussed under the *Innovative and Flexible Lending Practices* criterion, the Bank applies for and is awarded grants through the FHLB EBP. These grants are used to provide down payment assistance to low- and moderate-income first time homebuyers in the assessment area. Valley Community Development Corporation provides the homeownership counseling for participating individuals/families. The Bank also provides a soft second loan (through the Massachusetts Housing Partnership program), qualifies and funds the loans, and the FHLB qualifies the grant money. In participating in this program, bank employees spend additional time and share financial expertise with borrowers. The Bank must also apply for grant approval under this program annually, which also requires additional time and financial expertise.
- Financial Literacy Program  
The Bank partnered with the Valley Community Development Corporation to organize and offer a financial literacy program. The program covers a range of subjects from opening a checking account to managing credit cards. Programs were held at the main office in Florence and at Grace House in 2008. A total of 33 students were trained during the evaluation period.
- First Time Homebuyer Programs  
The Bank partnered with the HAP, Hilltown, Franklin County CDC, and Valley Community Development Corporations to conduct 17 First-Time Homebuyer educational courses in the assessment area. Over 400 potential first-time homebuyers were educated through these courses during the evaluation period.
- Volunteer Income Tax Assistance (VITA)  
Several bank employees provided free preparation of income tax returns for low- and moderate-income individuals and families at VITA centers at sites in Greenfield and Northampton during the evaluation period. In addition, the Bank sponsored supplies and refreshments for the five volunteer training sessions at each location.
- Individual Development Accounts (IDAs)  
In 2010, the Bank contributed \$3,000 to Community Action in matching funds for IDAs. IDAs are matched savings accounts that enable low-income families to save, build assets, and enter the financial mainstream. Matching funds come from private donations, state grants and federal grants. The match is 3-to-1, with the family saving \$1,333 in order to get a match of \$4,000. Funds may be used to purchase a first home, pay for college, or start as small business. Other components of the program include a 6-week financial literacy program, monthly case management meetings, and monthly Savings Club group meetings.

In addition, officers and employees of the Bank are involved in many local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following are examples of qualifying services:



#### Affordable Housing Organizations

- A Vice President serves on the Board of Directors of the Northampton Housing Partnership. This individual was instrumental in preparing a grant application to allow the Partnership to obtain funds to conduct a Housing Needs Assessment and Strategic Plan for the Northampton area.
- An Assistant Vice President serves on the Board of Directors of Hampshire County Habitat for Humanity.

#### Organizations Providing Community Services to Low- and Moderate-Income Individuals and Families

- A Senior Vice President serves on the Advisory Council of Highland Valley Elder Services.
- A Vice President serves as Board Member of the Center for New Americans.

#### Economic Development Organizations

- The Bank's President/CEO serves on the Board of Directors of the Western Massachusetts Economic Development Council and the Northampton Development Corporation.
- A Vice President serves as Board Member and Treasurer of the Valley Community Development Corporation.
- An Assistant Vice President is the Co-Chair Easthampton Economic Development and Industrial Commission (EDIC).
- A Bank Vice President is a Board Member of Community Enterprises Inc.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

**Appendix A**  
**MINORITY APPLICATION FLOW**  
**DIVISION OF BANKS**

Florence Savings Bank's LARs for 2009, 2010 and first quarter 2011 were reviewed to determine if the application flow from the different racial and ethnic groups within the assessment area was reflective of the area's demographics.

The assessment area has a population of 138,704 persons. The total minority population is 10.5 percent with the largest minority group being Asian (3.4 percent). The Hispanic population accounts for 3.4 percent of the total population within the assessment area.

The Bank received a total of 1,988 HMDA-reportable loan applications from within the assessment area in 2009, 2010, and first quarter 2011. Refer to the following table for information on the Bank minority application flow as well as a comparison of the aggregate lenders throughout the assessment area. The comparison of this data assists in deriving reasonable expectations, for the rate of applications the Bank received from minority applicants.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Aggregate Data (2009)</b>		<b>Bank (2009)</b>		<b>Bank (2010)</b>		<b>Total Bank</b>	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	5	0.1	1	0.1	0	0.0	1	0.1
Asian	148	2.0	19	1.9	13	1.6	32	1.8
Black/ African American	52	0.7	7	0.7	6	0.7	13	0.7
Hawaiian/Pac Isl.	2	0.0	0	0.0	0	0.0	0	0.0
2 or more Minority	5	0.1	0	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	108	1.4	20	2.0	15	1.8	35	1.9
<b>Total Minority</b>	<b>320</b>	<b>4.3</b>	<b>47</b>	<b>4.7</b>	<b>34</b>	<b>4.1</b>	<b>81</b>	<b>4.5</b>
White	5,868	79.3	936	93.7	767	93.6	1703	93.6
Race Not Available	1,214	16.4	16	1.6	19	2.3	35	1.9
<b>Total</b>	<b>7,402</b>	<b>100.0</b>	<b>999</b>	<b>100.0</b>	<b>820</b>	<b>100.0</b>	<b>1,819</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	75	1.0	8	0.8	9	1.1	17	0.9
Not Hispanic or Latino	6,018	81.3	959	96.0	775	94.5	1734	95.3
Joint (Hisp/Lat /Not Hisp/Lat)	59	0.8	16	1.6	14	1.7	30	1.6
Ethnicity Not Available	1,250	16.9	16	1.6	22	2.7	38	2.1
<b>Total</b>	<b>7,402</b>	<b>100.0</b>	<b>999</b>	<b>100.0</b>	<b>820</b>	<b>100.0</b>	<b>1,819</b>	<b>100.0</b>

Source: 2009 & 2010 HMDA Data

The Bank's applicants were compared with that of the aggregate's performance levels for the most recent year available, 2009. The Bank's performance was consistent with that of the aggregate and represents good performance.

## APPENDIX B - GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 85 Main Street, Florence, MA 01062."
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.